



BEFORE THE ARIZONA CORPORATION COMMISSION

LEA MÁRQUEZ PETERSON
Chairwoman
SANDRA D. KENNEDY
Commissioner
JUSTIN OLSON
Commissioner
ANNA TOVAR
Commissioner
JIM O'CONNOR
Commissioner

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF ITS 2018
ENERGY EFFICIENCY
IMPLEMENTATION PLAN AND FOR A
WAIVER UNDER A.A.C. R14-2-2419.

DOCKET NO. E-01933A-17-0250
DECISION NO. 78673
ORDER

Open Meeting
July 12 and 13, 2022
Phoenix, Arizona

TUCSON ELECTRIC POWER COMP-
ANY'S MOTION TO MODIFY COM-
MISSION DECISION NO. 77085

DOCKETED

BY THE COMMISSION:

AUG 22 2022

FINDINGS OF FACT

DOCKETED BY

Background

1. On May 11, 2022, pursuant to Arizona Revised Statute ("A.R.S.") § 40-252, Tucson Electric Power Company ("TEP" or "Company") filed a motion to modify the Arizona Corporation Commission's ("Commission") Decision No. 77085 ("Decision") which approved TEP's current Energy Efficiency ("EE") Plan and Demand-Side Management Surcharge ("DSMS") rates on February 20, 2019. TEP's motion seeks to modify the Decision to authorize TEP to refund to customers its over-collected DSMS funds over a one- or two-month period.

2. In the Decision, the Commission approved TEP's DSMS to be set at \$0.0028898 per kilowatt-hour ("kWh") for residential customers and 2.8292 percent of the bill for non-residential customers. The Decision does not reference any TEP refunds to customers.

3. As of May 11, 2022, TEP had approximately \$12.4 million in over-collected DSM funds. The over-collection is due to a variety of factors including Covid-19 restrictions, participation in TEP's approved EE programs has not reached anticipated levels, and TEP has not expanded its

full EE Implementation Plan budget over the past two years. TEP believes it is in the public interest to refund the over-collected balance to provide a meaningful bill reduction to customers over a 2-month period.

4. In Decision No. 77630, the Commission previously approved TEP's request to refund DSMS funds over a one-month period (June) in 2020.

5. TEP proposes to apply the refunds on a one- or two-month refund period beginning July 2022. The credit will be applied to residential customers based on kWh usage and to non-residential customers on a percentage of bill basis, which is consistent with how the DSMS is administered.

6. The following tables contain the current DSMS rates and the proposed one- and two-month refund rates.

One-Month Refund

Customer Class	Current DSMS	Proposed Refund July	Net DSMS July
Residential (\$ / kWh)	\$0.0028898	\$0.012683	(\$0.0097932)
Non-Residential (% of Bill)	2.8292%	(10.7967%)	(7.9675%)

Two-Month Refund

Customer Class	Current DSMS	Proposed Refund July and August	Net DSMS July & August
Residential (\$/kWh)	\$0.0028898	(\$0.006393)	(\$0.0035032)
Non-Residential Refund (% of Bill)	2.8292%	(5.4362%)	(2.6070%)

Staff Analysis

7. TEP is currently operating under its 2018 EE Implementation Plan and intends to continue offering its approved EE programs at the current levels. Commission Utilities Division Staff ("Staff") finds that the proposed temporary credit if implemented, may alleviate some of the financial hardships facing customers, and provide financial benefits. Staff has reviewed the workpapers and calculations used to determine the credit for each customer class, and finds the calculations reasonable.

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8. TEP estimates that for the one-month option, its proposed refund would result in a \$16.37 credit to residential customers' July 2022 billing statements, assuming a monthly average usage of 1,291 kWh for July. In addition, TEP estimates that for the one-month option, its proposed refund would result in a \$48.33 credit to small general service customers' July 2022 billing statements, assuming a monthly average billing of \$476.81 for July.

9. TEP estimates that for the two-month option, its proposed refund would result in \$8.25 and \$7.96 respective credits to residential consumers' July 2022 and August 2022 billing statements, assuming a respective monthly average usage of 1,291 kWh for July, and 1,245 kWh for August.

10. TEP estimates that for the two-month option, its proposed refund would result in \$24.33 and \$23.85 respective credits to small general service customers' July 2022 and August 2022 billing statements, assuming a respective average monthly billing of \$500.81 for July, and \$490.87 for August.

11. In addition to a temporary credit proposal by TEP to refund the over-collection, TEP is not proposing to reduce either its approved DSMS or its EE Implementation Plan budget. TEP intends to continue offering its approved EE programs and the DSMS will continue at the current level.

Recommendations

12. Staff recommends approval of TEP's proposed refund of over-collected DSMS funds over one month to be implemented on TEP's residential and non-residential consumer billing statements for July 2022.

13. Staff recommends approval of a refund amount of (\$0.012683) per kWh for residential customers and (10.7967 percent) of the bill for non-residential customers for July 2022.

14. Staff recommends that all other aspects of Decision Nos. 77085 and 77630 remain in effect.

15. We find, however, that the customer benefits of EE programs outweigh the benefit of a bill refund and, therefore, do not adopt Staff's recommendations and deny TEP's request for a bill refund.

CONCLUSIONS OF LAW

1. Tucson Electric Power Company is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over Tucson Electric Power Company and over the subject matter discussed herein pursuant to Arizona Revised Statutes §40-252.

3. The Commission concludes it is in the public interest to approve the modifications to Decision No. 77085 as discussed herein.

ORDER

IT IS THEREFORE ORDERED that Decision No. 77085 is amended to require Tucson Electric Power Company to:

1) Redeploy as much of the approximately \$12.4 million in excess Demand Side Management funds as is reasonable and possible between now and a final order in its pending rate case. The funds shall be utilized for Demand Side Management programs already approved by the Commission in Decision No. 77085, and for the Advanced Rooftop Control program, as proposed by Tucson Electric Powe Company in E-01933A-21-0182 in its supplemental filing of June 13, 2022. Specifically, for the \$12.4 million in unspent funds, Tucson Electric Power Company may exceed the previous Commission-approved budgets for Commission-approved programs. In addition, the restrictions for the Multi-Family Homes Program, Existing Homes Program, Low-Income Weatherization Program, and the Schools Program will be modified as follows:

- The available rebate levels for Multi-Family Homes and Existing Homes programs may be increased up to 75 percent of cost with an increase to each program's budget;
- The Schools Program budget may be increased;
- The \$150,000 per school district cap may be waived. A \$100,000 maximum per school for the Schools Programs is added;
- The per-home spending cap for the Low-Income Weatherization Program shall be increased from \$6,000 to \$10,000; and
- Cost-effectiveness shall be maintained as required in Decision No. 77085.

For the \$12.4 million of unspent DSM funds, the Company may exceed the 25 percent flexibility to move funds between programs within the same class. The

1 Company shall add an updated budget for these four programs as a compliance filing,
2 within 30 days.

3 2) Propose how to utilize any excess Demand Side Management surcharge funds that
4 still remain, in its pending rate case.

5 3) Propose solutions for improving Demand Side Management program participation
6 levels in the future, in its pending rate case.

7 IT IS FURTHER ORDERED a refund amount of (\$0.012683) per kWh for residential
8 customers and (10.7967 percent) of the bill for non-residential customers for July 2022 is hereby
9 denied.

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78673

Decision No. _____

1 IT IS FURTHER ORDERED that all other matters set forth in Decision Nos. 77085 and
2 77630 continue to be in full force and effect.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

6
7 **DISSENT**

8 CHAIRWOMAN MARQUEZ PETERSON

9 COMMISSIONER KENNEDY 

10 **DISSENT**

11 COMMISSIONER OLSON

12 COMMISSIONER TOVAR 

13 COMMISSIONER O'CONNOR 



19 IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
20 Executive Director of the Arizona Corporation Commission,
21 have hereunto, set my hand and caused the official seal of this
22 Commission to be affixed at the Capitol, in the City of
23 Phoenix, this 22 day of August, 2022.

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MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT:  _____

EOA:BD:elr/SJE

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COMMISSIONERS

Lea Márquez Peterson – Chairwoman
Sandra D. Kennedy
Justin Olson
Anna Tovar
Jim O'Connor



JUSTIN OLSON
Commissioner

ARIZONA CORPORATION COMMISSION

August 18, 2022

Tucson Electric Power Company (E-01933A-17-0250) – In the Matter of the Application of Tucson Electric Power Company for Approval of its 2018 Energy Efficiency Implementation Plan and for a Waiver under A.A.C. R14-2-2419.

Chairwoman Márquez-Peterson and Commissioners,

I respectfully dissent. Utility Staff was correct to recommend the approval of Tucson Electric Power Company's ("TEP") application to refund \$12.4 million in over-collected DSM funds. Considering the current poor economic conditions, Arizona having the highest inflation in the country, TEP's application to return these unused funds to its customers was the appropriate action to take. A full refund as proposed by TEP would have benefited *all* TEP customers.

The majority missed an opportunity to provide *immediate* relief to TEP customers, many of which are financially struggling under the weight of inflation. These are over-collected customer funds after all, and customers should be the ones to decide how their hard-earned money is spent.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Olson".

Commissioner Justin Olson